

**Antoni Slonimski, Maryna Slonimska**

Instytut Naukowo-Badawczy Ministerstwa Gospodarki (Mińsk, Białoruś),  
Uniwersytet Ekonomiczny (Mińsk, Białoruś)

## **ENTREPRENEURSHIP DEVELOPMENT STRATEGY OF FRONTIER REGIONS OF BELARUS AFTER EXPANSION OF EUROPEAN UNION**

### **1. Introduction**

The process of European Union enlargement is redrawing the political map of Europe with particular implications for regions, which are adjacent to new borders of the EU. This presents entrepreneurs and businesses with new sources of threat and opportunity. The orientation of the new EU members towards the West and new regulations for cross-border trade and visits may significantly hamper traditional cross-border co-operation of individuals and enterprises. In these circumstances, cross-border co-operation offers a potential source of opportunity which can lead to enhanced competitiveness for both parties. The nature and extent of cross-border co-operation varies between enterprises, households, institutions, ranging from informal forms (e.g., petty trading of households, repeated business based on personal contacts, information exchange of local authorities) to formal arrangements (e.g., joint ventures of firms, twinning agreements between institutions and regions) [3].

For firms in transition economies, low domestic purchasing power can limit the scale and scope of domestic markets, encouraging those with ambitions to grow to look abroad to identify and develop new market opportunities. In such circumstances, subcontracting and other forms of collaborative arrangement with foreign firms can offer certain advantages, compared with more independent strategies for penetrating foreign markets, since they can reduce market entry costs and barriers, with lower associated business risks.

At household level, cross-border cooperation can present opportunities for entrepreneurial people to engage in trading activities, which although are primarily a

means of survival, can also offer a stepping stone towards the development of more substantial enterprises. Institutional co-operation can be instrumental in facilitating sustainable cross-border partnerships between enterprises, contributing to enhanced competitiveness for participating regions.

By the line of Soviet-Polish border of 1921-1939 years Belarus is clearly divided into two regions, the population in which possesses the differing historical experience and in some cases – the specific regional subculture. The territory of Western Belarus makes about 40% of the country's territory. Three million people out of ten million inhabiting the country live in the west of Belarus.

Western Belarus is a half-agricultural region, where the viable traditional rural culture has been preserved; Eastern Belarus is an industrial region, where the large cities lay in the background of regional cultures. Industrialization of western part of the country has started to develop only before the collapse of the Soviet Union [7]. During the years after World War II different regions of Belarus had different economic specialization; but also the different social and economic structure has been established in them. In Eastern Belarus 76% of population live in cities and 24% in villages. In Western Belarus 60% of population is urban and 40% is rural [9]. In Western Belarus there are only 4 cities which account for more than 100 thousand people – Grodno (315 thsd. people), Brest (298 thsd. people), Baranovichi (169 thsd. people) and Pinsk (131 thsd. people). It is the Eastern part of the country where the largest cities of Belarus are situated: Minsk (1741 thsd. people), Gomel (492 thsd. people), Mogilev (365 thsd. people), Vitebsk (350 thsd. people). Above them, here are also situated the other large cities: Bobrujsk (221 thsd. people), Borisov (150 thsd. people), Orsha (142 thsd. people), Mozyr (112 thsd. people), Novopolotsk (107 thsd. people), Soligorsk (101 thsd. people) [4].

In the end of XIX – beginning of XX century the level of industrial development did not differ significantly between eastern and western territories of Belarus; neither did the level of entrepreneurial activity of landlords and noblemen. For example, the largest quantity of plants and factories belonging to nobles have been established in Mogilev (which belongs to eastern part) and in Grodno (which belongs to western part) provinces [10].

In the years 1921-1939 Western Belarus was a relatively backward rural suburb of Poland and was used overwhelmingly as a source of raw materials and low-priced labour force, and as a sales market for Poland's industry. In industrial respect only Bialystok industrial district has been developed (only two regions of it belong to territory of Belarus nowadays: Grodno and Volkowysk regions). This being said, on the date of 1928, about 2 thousand enterprises have acted in Western Belarus, 80% of them have employed from 5 to 20 persons; craftsmen amounted to about 50 thousand [2].

In Eastern Belarus, small entrepreneurship has developed most intensively during the New Economic Policy course (1921-1922). Small and medium-sized indus-

try during that period has taken the determining position in the industry of Belarus. On number of employed and on volume of production in 1923 it has considerably left behind the large industries. Its gross product has amounted to 60% of production volume of the whole industry of Belarus. However, already starting from 1923 the government of USSR has set the task of destroying the bourgeoisie as a class [5].

We will try to analyse whether nowadays there exist differences between eastern and western regions of Belarus from the viewpoint of conditions and the level of entrepreneurship development.

## **2. Regional factors of entrepreneurship development in the Republic of Belarus**

Small enterprises are unevenly distributed in the territory of the country. Their main share (56%) is concentrated in the capital city Minsk. The relatively high level of entrepreneurship development is also typical for district centers and industrially developed cities; complementary to urbanization, this is connected with influence on this indicator of the higher educational level of population, which is an indicative feature of cities of this type. This is confirmed by a sociological survey carried out by international team of scientists within TACIS project "Revealing the needs of support of small enterprises in Ukraine, Belarus and Moldova for development of support programs on national and regional levels": 80% of interviewed respondents – owners of small and medium-sized enterprises – out of those who got into the sample group – have received the high education. As noted in the short report on this survey, this makes up the distinguishing feature of countries with the transitive economy in comparison with countries with more mature market economies [4].

Herewith, in industrially developed countries and in countries with the transitive economy some similar trends in territorial development of small entrepreneurship are observed. So, the sector of small entrepreneurship is characterised through high dynamism in economic structure of most capital cities and industrially developed centers.

From the results of population census 1999 in Belarus one can receive one of indicators characterizing the generalized level of entrepreneurial activity of population in regions of the country – the share of employers and people working at their own expense, in the whole employed population. Spatial distribution of this indicator's value allows noticing the higher entrepreneurial activity of population in Brest and Grodno districts as well as some western regions of Minsk and Vitebsk districts, comparing to Eastern regions of the country. In regional centers of western districts (cities of Grodno and Brest) the level of entrepreneurial activity of population in the first case is equal, and in second case – close to the corresponding indicator for the city of Minsk. The lowest for regional centers value of analysed indi-

cator is marked for Gomel, the not much higher one – for Mogilev. Similar trends can be noticed in the territorial distribution of population' entrepreneurial activity indicator in industrial centers: in Brest, Vitebsk, Grodno and Minsk districts it is higher than in Mogilev and Gomel districts.

Analysis of entrepreneurial activity dependence separately for subregions and cities of Western and Eastern regions has shown that besides industrial development of the territory and level of population education there exist some additional factors, which facilitate the entrepreneurial development of inhabitants particularly in Western region, because, by the same value of generalized index of population' educational level and volume of industrial production per head of population in Western and Eastern regions and cities of the country, the Western are at the average featured by higher values of entrepreneurial activity of the local population (fig. 1).

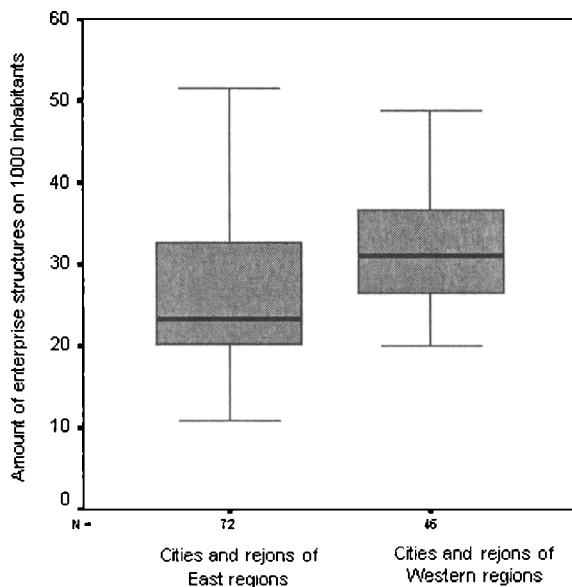


Fig. 1. Amount of enterprise structures on 1000 inhabitants in cities and regions of East and Western regions

One of possible reasons for such difference is the shorter period of existence of plan economy in Western regions of the country, hence the higher degree of preservation of social and psychological stereotypes featuring the market economy. An important influence on such mentality of the local population is doubtlessly imposed also by ethnical and confessional factors. For instance, in national structure of Grodno district population the Poles constitute almost one fourth – 24.8% [8]. Historically it has been so that in western districts of Belarus the share of popula-

tion of catholic confession, which is dominant in the neighbouring Poland and Lithuania, is much higher than in eastern regions of Belarus. The attitude of Catholic Church to the personality of contemporary entrepreneur is indicative. At the conference "Globalization and social responsibility of the entrepreneur" in Vatican, March 2004, the president of the International Confederation of Entrepreneurs Etienne Vibaux has remarked that entrepreneurs in spite of high tensely of competitive struggle are the personalities who save their own dignity and the dignity of others, respectfulness to personality [1].

On the other hand, a certain influence could be imposed by cross-border co-operation with countries which have achieved certain successes on their road of market transformations (Latvia, Lithuania, Poland). So, by the beginning of 2004 in two western districts of the country (Brest and Grodno) 522 enterprises with foreign investments have worked, whereas in three eastern (Vitebsk, Gomel and Mogilev) – 487. Herewith, the population of two western districts has constituted 2,6 mln people, and of three eastern districts – almost 4 mln As of same point of time, in Belarus there have worked 692 organizations with investments of western neighbours – Latvia, Lithuania and Poland, – and 579 organizations with investments of the eastern neighbour – Russia. Noteworthy, the total population of western neighbour countries is 44 mln. people, of Russia – about 145 mln people [9].

Western countries which are the neighbours of Brest and Grodno districts are for them important partners in external trade as well. So, in the total volume of international trade of Brest district Poland takes the third place (after Russia and Germany); in Grodno district Lithuania takes the second place (after Russia), and the third place is taken here by Poland, which outpaces Germany here [7].

The citizens of Belarus take the third place between citizens of other countries on visits to Poland (after citizens of Germany and Czech Republic). The citizens of Belarus also take the third place as for total sum of currency spent on its territory and on the sum of money spent in Poland per one visiting Belarusian citizen. About 80% of all purchases in Poland in the Polish territory is done by Belarusians in the depth of to 20 kilometers from common border. Thus, even on the level of small trade, the neighbourhood with the wealthier West enriches primarily the western Belarusians. Similarly, such phenomenon is observed in Poland in the regions which neighbour Germany. The larger investments, the best opportunities to find the job in Poland are available close to the border with Germany [7].

A possible negative factor which influences the entrepreneurial activity of population in the southern part of Eastern region is the radioactive contamination of the territory. The regions of Gomel, Mogilev and Brest districts, which have suffered from the accident at Tchernobyl Nuclear Power Plant (NPP), have much lower level of entrepreneurship development.

For the more objective analysis of regional factors of small entrepreneurship development in the country the data is required on attitude of population to entre-

preneurship, the estimations of small enterprises' managers of external environment favorability (business-climate) in the given territory, and other qualitative characteristics which can only be received by means of sociological investigations (inquiries, questionnaires, interviews and so on).

### **3. Peculiarities of entrepreneurship development in western and eastern districts of the Republic of Belarus on results of questionnaire-based inquiry of entrepreneurs**

As a part of research of the project „Competitiveness of region by transition to market economy. International comparative analysis” in a framework of the Committee for Science Investigations (KBN) of Poland grant № 5H02C02221, awarded to Torun university named after N. Copernicus, in particular regions of Belarus, Lithuania, Latvia and Poland in the years 2002-2003 the inquiry of entrepreneurs has been undertaken. In Grodno (western) and Vitebsk (mainly eastern) districts of Belarus 124 managers of enterprises have been interviewed: 60 in Vitebsk district and 64 in Grodno [6].

The acceptable in the given locality qualification of the labour force has proved to be an important factor for creation of small enterprises, which confirms the conclusions about necessity to increase the educational level of population in order to stimulate the small entrepreneurship development. In a cross regional view, this factor is more often mentioned as a reason for activity organization by managers of small enterprises of Vitebsk district. In the Grodno district, creation of small entrepreneurial structures is noted to be facilitated by the good transport connection and the proximity of suppliers (tab. 1).

Table 1. Reasons for organisation of activity of the enterprise in the given locality (per cent to number of responded in each group)

Reasons	All enterprises	Including the districts	
		Vitebsk district	Grodno district
Acceptable qualification of labour force	25.8	30.0	21.9
Suppliers' proximity	20.2	8.3	31.3
Good transport communication	18.5	13.3	23.4

Structure analysis of procurement and sales at enterprises by particular types of markets evidences that entrepreneurs of both surveyed districts predominantly work on local market. However, the enterprises of Grodno district to the larger extent than these of Vitebsk are oriented on foreign market, both in sales and in procurement (tab. 2).

Making a decision on directions of investing, the managers of enterprises of Grodno district pay greater attention to product or service quality improvement. 73.7% entrepreneurs who have mastered investments in Grodno district have pointed out this

direction of investments, whereas in Vitebsk district – only 42.9%. Grodno entrepreneurs considerably more require the high-quality economic information and the usage of joint advertising possibilities (table 3). This all evidences sufficiently high level of competition in this region. The higher the competition, the more important it is to pay attention to the quality of products, and the more the information is needed, including the information about markets of sales and the prices at these markets.

Table 2. Structure of procurement and sales of enterprises by particular types of market (per cent to number of responded in each group)

Markets	At all enterprises		Including the districts			
	procurement	sales	procurement		sales	
			Vitebsk	Grodno	Vitebsk	Grodno
Local	35.9	59.7	30.3	41.3	61.7	57.8
Regional	17.2	17.5	23.4	11.3	16.4	18.6
National	23.8	13.0	26.3	21.5	14.5	11.4
Foreign	23.1	9.8	20.0	26.0	7.4	12.2
Total	100.0	100.0	100.0	100.0	100.0	100.0

Table 3. Which support from local government bodies would the enterprise like to receive in the future? (per cent to number of responded in each group)

Support	All enterprises	Including districts	
		Vitebsk	Grodno
Provision of high-quality economic information	25.0	18.3	31.3
Possibilities of the joint advertising	16.9	6.7	26.6

Analysis of responses of enterprises' managers has allowed revealing some differences in mentality of entrepreneurs in western and eastern districts. So, when answering the question on which support for development of the company the entrepreneur would like to receive from local government bodies, most respondents from western region have chosen the option "economic freedom, non-interruption of authorities into activity of the firm". At the same time the East-Belarusian managers of small enterprises from Vitebsk region have mostly wished different kinds of assistance in receiving the financial resources to be gained from interaction with authorities.

Analysis of questionnaire survey results has allowed confirming some earlier drawn conclusions about regional factors of small entrepreneurship development and about necessity to improve the system of state support of it with due account for regional specifics.

#### 4. The conclusion

The differences in entrepreneurial activity of the population in the western and eastern territories of Belarus, from one hand, have been caused by cross-border collaboration with the countries which have achieved certain success on the way of

market transformations. But on the other hand, undoubtedly, it also is the consequence of different attitude in the society to the entrepreneurial people, which reflects on the consciousness of people through 2-3 and more generations, being an essential factor hindering or facilitating the development of the private entrepreneur's business on the base of mentality, ethnical, confessional and other characteristics of the local population. This circumstance should necessarily be taken into account when developing the regional development strategies of frontier regions of Belarus after expansion of the European Union.

The union expansion of borders of the European Union on the east, transformation of Belarus into its direct neighbor, the importance for country economic interests in the EU market, the presence of powerful threats to potential economic development of two partners it demands the elaboration of the optimum model of interaction of the European Union and Belarus. This model should be based on a mutual economic interest, a generality of the historical, cultural and national traditions of many peoples living in the new EU members countries. But not less important motives of activation of the integration processes should become a generality civilization interests, a belonging to the European culture, understanding of laws and the development trends of globalization processes.

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## **STRATEGIA ROZWOJU PRZEDSIĘBIORCZOŚCI GRANICZNYCH REGIONÓW BIAŁORUSI PO ROZSZERZENIU UNII EUROPEJSKIEJ**

### **Streszczenie**

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